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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 33-19608

PINNACLE BANC GROUP, INC.
(Exact name of registrant as specified in its charter)

Illinois	36-3190818
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2211 York Road, Suite 502, Oak Brook, Illinois 60521
(Address of principal executive offices)

(708) 574-3550
(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS: As of May 14, 1992, the registrant had 4,581,527 shares outstanding of common stock, $4.69 par value.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Presented on the following pages are the unaudited consolidated balance sheets of Pinnacle Banc Group, Inc. and subsidiaries ("Pinnacle") for March 31, 1992 and December 31, 1991, the related consolidated statements of income for the three month periods ended March 31, 1992 and 1991, and the related consolidated statements of cash flows for the three month periods ended March 31, 1992 and 1991.

The interim financial statements reflect all normal recurring adjustments, such as estimated provisions for profit sharing and bonus arrangements normally determined at year end, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Footnote disclosure has been omitted since it would substantially duplicate the disclosure contained in the latest audited financial statements of Pinnacle contained in the 1991 Annual Report to Shareholders. No events subsequent to the end of the most recent fiscal year have occurred which have had a material impact on the financial condition of Pinnacle, with the exception of the acquisition discussed in the following paragraph.

The statements reflect the purchase of certain assets and the assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation on March 27, 1992. A description of the transaction is contained in Pinnacle's report on Form 8-K dated April 10, 1992.

Consolidated BALANCE SHEETS
PINNACLE BANC GROUP, INC. and Subsidiaries

	(UNAUDITED) March 31 1992	December 31 1991
Assets:		
Cash and due from banks	$ 28,697,602	$ 22,138,500
Federal funds sold	21,888,995	10,950,000
Total cash and cash equivalents	50,586,597	33,088,500
Interest bearing deposits	19,542,000	26,465,000
Investment securities	439,253,162	299,329,249
Loans	186,909,981	195,940,380
Less: Allowance for loan losses	(2,627,780)	(2,516,590)
Net loans	184,282,201	193,423,790
Premises and equipment	9,695,027	9,864,941
Goodwill and other intangibles	12,237,759	9,247,339
Other assets	12,570,857	9,082,510
Total	$728,167,603	$580,501,329
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 77,093,733	$ 78,401,796
Interest bearing	90,011,108	63,248,764
Savings deposits	242,086,211	204,143,931
Other time deposits	240,480,307	163,679,376
Total deposits	649,671,359	509,473,867
Short term borrowings	629,609	621,965
Notes payable	14,350,000	7,400,000
Other liabilities	5,451,328	5,944,806
Minority interest in subsidiaries	139,184	141,863
Total liabilities	670,241,480	523,582,501
Stockholders' equity:		
Preferred stock 1,000 shares authorized, none issued	- 0 -	- 0 -
Common stock, $4.69 par 20,000,000 shares authorized; shares issued and outstanding: 3/31/92: 4,581,527 12/31/91: 4,615,067	21,475,908	21,633,127
Surplus	17,086,640	17,086,642
Retained earnings	19,363,575	18,199,059
Total stockholders' equity	57,926,123	56,918,828
Total	$728,167,603	$580,501,329

Consolidated STATEMENTS OF INCOME (UNAUDITED)
PINNACLE BANC GROUP, INC. and Subsidiaries

	For the three months ended March 31	
	1992	1991
Interest Income:		
Loans	$ 4,392,485	$ 5,147,514
Investment securities:		
Taxable	4,278,316	3,750,411
Tax exempt	860,862	972,702
Interest bearing deposits, federal funds sold	505,089	1,191,661
Interest income	10,036,752	11,062,288
Interest Expense:		
Deposits:		
Interest bearing demand	484,934	656,112
Savings	2,115,211	2,217,189
Other time	2,150,863	2,750,001
Short term borrowings	15,079	1,929
Notes payable	114,695	157,596
Interest expense	4,880,782	5,782,827
Net Interest Income	5,155,970	5,279,461
Provision for loan losses	123,000	75,000
Net interest income after provision for loan losses	5,032,970	5,204,461
Other Income:		
Banking services and other	999,010	757,879
Trust services	383,920	328,277
Net securities gains	1,462,338	1,998,453
Other income	2,845,268	3,084,609
Other Expense:		
Salaries, profit sharing and other employee benefits	2,198,633	2,330,922
Occupancy	457,235	414,420
Amortization of goodwill and other intangibles	418,580	411,824
Other expenses	1,588,722	1,280,874
Other expense	4,663,170	4,438,040
Income before income taxes and minority interest	3,215,068	3,851,030
Provision for income taxes	523,000	534,000
Minority interest in subsidiaries	11,237	25,774
Net Income	$ 2,680,831	$ 2,891,256
Weighted average number of common and common equivalent shares outstanding:		
Primary	4,609,894	4,766,979
Fully diluted	4,610,428	4,768,340
Earnings per share:		
Primary	$ 0.58	$ 0.61
Fully diluted	0.58	0.61

Consolidated STATEMENTS OF CASH FLOWS (UNAUDITED)
PINNACLE BANC GROUP, INC. and Subsidiaries

	For the three months ended March 31	
	1992	1991
Cash flows from operating activities:		
Net income	$ 2,680,831	$ 2,891,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	182,469	156,928
Amortization of goodwill and other intangibles	418,580	411,824
Amortization of purchase accounting adjustments	101,756	36,265
Provision for loan losses	123,000	75,000
Increase (decrease) in deferred loan fees	(23,562)	(13,655)
Gain on sale of investment securities	(1,462,338)	(1,998,453)
Decrease (increase) in interest receivable	(1,518,925)	6,246
Increase (decrease) in interest payable	(778,320)	(52,987)
Decrease (increase) in other assets	(1,781,535)	(182,064)
Increase (decrease) in other liabilities	(717,279)	421,243
Other, net	283,414	(654,177)
Total adjustments	(5,172,740)	(1,793,830)
Net cash provided by (used for) operating activities	(2,491,909)	1,097,426
Cash flows from investing activities:		
Cash portion of acquisitions net of cash acquired (NOTE)	82,951,809	10,591,134
Proceeds from sales of investment securities	77,575,539	46,409,057
Proceeds from maturities and paydowns of investment securities	6,286,939	5,759,381
Purchase of investment securities	(178,713,517)	(40,054,741)
Net decrease (increase) in interest bearing deposits	7,173,000	(16,133,000)
Net loan principal (advanced) collected	9,036,781	13,467,118
Premises and equipment expenditures	(70,865)	(132,896)
Net cash provided by (used for) investing activities	4,239,686	19,906,053
Cash flows from financing activities:		
Net increase (decrease) in total deposits	10,466,214	10,611,100
Net increase (decrease) in short term borrowings	7,644	(17,587,350)
Proceeds from notes payable	9,050,000	13,762,750
Principal reductions of notes payable	(2,100,000)	(600,000)
Issuance of common stock	0	1,000
Purchase and retirement of common stock	(658,223)	(3,547,664)
Dividends paid	(1,015,315)	(960,642)
Net cash provided for (used for) financing activities	15,750,320	1,679,194

(Continued)

Consolidated STATEMENTS OF CASH FLOWS (UNAUDITED)
PINNACLE BANC GROUP, INC. and Subsidiaries

(Continued)	For the three months ended March 31 1992	1991
Net increase (decrease) in cash and cash equivalents	$ 17,498,097	$ 22,682,673
Cash and cash equivalents at beginning of period	33,088,500	50,659,499
Cash and cash equivalents at end of period	$ 50,586,597	$ 73,342,172
Cash paid during period for:		
Interest	$ 5,669,626	$ 5,865,309
Income taxes	656,000	140,635

NOTE: Berwyn National Bank and its affiliate Cermak Oak Park Safety Vault Company were purchased by Pinnacle for $10,301,766 in cash on February 1, 1991. At the date of purchase, the balance sheet of Berwyn included cash and cash equivalents of $19,751,894 resulting in a net cash position of $9,450,128.

The Henry County Bank was purchased by Pinnacle for $3,461,822 in cash on March 27, 1991. At the date of purchase, the balance sheet of Henry County included cash and cash equivalents of $4,602,828 resulting in a net cash position of $1,141,006.

On March 27, 1992, certain assets were purchased and certain liabilities were assumed from the Berwyn branch of Olympic Federal Savings Association in a transaction with the Resolution Trust Corporation. On the date of the transaction, the total cash acquired less the cash paid to the Resolution Trust Corporation amounted to $82,951,809.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net Income - Three Months Ended March 31, 1992 and 1991

Consolidated net income was $2,681,000, or $0.58 per share, on a fully diluted basis for the three months ended March 31, 1992 (the "first quarter"), a per share decrease of 5% from the $2,891,000, or $0.61 per share earned in the first three months of 1991. The annualized return on average assets was 1.84% for the first three months of 1992 and 2.18% for the first three months of 1991. For each period, the return on average equity was 18.8% and 21.5%, respectively. The primary factor contributing to the decrease in earnings was the fact that net gains on the sale of investment securities were $536,000 higher in the first quarter of 1991 than the first quarter of 1992. In addition, net interest income declined $123,000 and other operating expenses increased $225,000. These items were offset by an increase in other operating income, not including net securities gains, of $297,000 and a decrease in the provision for income taxes of $411,000.

The results for the three months ended March 31, 1992 reflect the acquisition of Berwyn by Pinnacle on February 1, 1991 and of Henry County on March 27, 1991. Each transaction was accounted for as a purchase, and as such Berwyn and Henry County's results are included from the date of each acquisition. Included in the income statement for Berwyn for the three months ended March 31, 1992 is net income of $445,000 compared to a net loss of $65,000 for the first quarter of 1991. Henry County had net income of $155,000 for the first quarter of 1992. Net income for Berwyn and Henry County includes the effect of purchase accounting adjustments. The results also include the purchase of certain assets and assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation on March 27, 1992. Because of the date of the transaction, the effect on net income was minimal.

Net Interest Income

The primary component of Pinnacle's consolidated earnings is net interest income, or the difference between interest income on earning assets and interest paid on supporting liabilities. The net interest margin is net interest income expressed as a percentage of average earning assets. Pinnacle's earning assets consist of loans, investment securities, interest bearing deposits at financial institutions and Federal funds sold. Supporting liabilities primarily consist of deposits, Federal funds purchased and Pinnacle's note payable. A portion of Pinnacle's interest income is earned on tax exempt investments such as state and municipal bonds. In an effort to state this tax exempt income and its resultant yields on a basis comparable to all other taxable investments, an adjustment is made to analyze this income on a taxable equivalent basis.

During the first three months of 1992, Pinnacle's average earning assets were $536,229,000, or 10% higher than the comparable period of

the previous year. The increase in average earning assets was entirely due to the acquisitions. The net interest margin for the first three months of 1992 was 4.20% compared to 4.77% for 1991. The decline in the net interest margin was the result of a generally lower level of interest rates on a period-to-period comparative basis which compressed interest margins between earning assets and supporting liabilities. Net interest income on a fully taxable equivalent basis was $5,626,000 for the first three months of 1992, or 3% lower than the comparable period in 1991. Actual net interest income decreased 2%.

The effect of the decline in the net interest margin was partially offset by the increase in the volume of earning assets. The lower net interest margin reduced net interest income on a fully taxable equivalent basis by $698,000 while the increase in earning assets contributed additional net interest income of $509,000 for a net decrease of $189,000.

The yield earned on total earning assets was 7.84% for the first three months of 1992 compared to 9.51% for the same period of 1991. The largest decline was in short term investments comprised of interest bearing deposits at financial institutions and Federal funds sold which yielded 4.94% in 1992 versus 7.12% in 1991. The yield earned on taxable investment securities declined to 6.53% from 8.48%. These declines resulted from a generally lower level of interest rates in the first quarter of 1992 than in the first quarter of 1991. Despite the similar decline in yields earned on taxable investment securities, the spread between these types of investments and short-term investments dictated a shift in funds between these categories. Short-term investments declined $26 million on an average balance basis in the first quarter of 1992 compared with the same quarter of 1991. These funds were reinvested in taxable securities to take advantage of the higher yields. In addition to the funds shifted from short-term investments, the average balance of taxable investment securities increased $59 million on a comparative basis as a result of the balance sheet structures of the acquired banks which had minimal amounts of loans. The average rate earned on loans was down 124 basis points. The average volume of loans decreased approximately 3% on a comparative basis. The effect of these declines related to loans was a decrease in interest income of $762,000. Total interest income declined $1,091,000 with the negative effect of the decline in yields exceeding the positive effect of the increase in earning assets.

The average cost of interest bearing liabilities declined 130 basis points to 4.42% from the 5.72% paid in the first three months of 1991. The average rate paid on interest-bearing demand deposits and savings deposits declined 100 basis points as Pinnacle took action in the first quarter of 1992 to adjust the rates paid on these accounts in order to bring these accounts in line with market rates. The average rate paid on other time deposits was down 141 basis points. The mix of deposits remained approximately the same on a period-to-period comparable basis with interest-bearing demand deposits and savings deposits comprising approximately 50% of total interest-bearing liabilities. As a result of the decline in rates

paid, total interest expense was $902,000 lower in the first three months of 1992 compared with the same period of 1991.

A detailed Analysis of Net Interest Income for the three month periods ended March 31, 1992 and 1991 is included on pages 15 and 16.

Provision for Loan Losses

Management records a provision for loan losses in an amount sufficient to maintain the allowance for loan losses at a level commensurate with the risks in the loan portfolio. The allowance for loan losses is adjusted through charges to current income based on factors such as past loan loss experience, management's evaluation of potential losses in the loan portfolio, and prevailing economic conditions.

The provision for loan losses was $123,000 for the first three months of 1992 compared to $75,000 for the same three months in 1991 Pinnacle had net charge-offs of $12,000 in 1992 compared to net recoveries of $4,000 in 1991.

The allowance for loan losses was $2,628,000, or 1.41% of loans, at March 31, 1992, compared to 1.28% of loans at year end 1991. Non-performing loans defined as non-accrual loans, loans past due greater than 90 days and still accruing and restructured loans, were $3,848,000, or 2.06% of loans, at March 31, 1992 compared to $7,636,000, or 3.90% of loans, at December 31, 1991.

The decrease in Pinnacle's non-performing loan ratio resulted from improvement in two large credits. Both loans have been brought current by the borrowers and each borrower has a plan in place to meet the requirements of the loan. Notwithstanding the improvement in non-performing loans, management remains focused on the quality of the loan portfolio, especially in light of the current unsettled economic environment.

Total non-performing assets were only 0.54% of assets at March 31, 1992, primarily because Pinnacle's loan portfolio comprises only 26% of its total assets and because Pinnacle's other real estate owned amounted to $86,000. Management is of the opinion that the allowance for loan losses is adequate at its current level.

Non-Interest Income and Expense

Pinnacle receives non-interest income from several sources with service charges on deposit accounts and trust fees as the major components. Fees on banking services and other income were $999,000 for the three months ended March 31, 1992 compared to $758,000 in the same period of 1991, an increase of 32% with more than half of the increase the result of the Berwyn and Henry County acquisitions, and the remaining portion resulting from a general increase in service fee prices. Trust fees also increased 17% on a period-to-period comparable basis. Total trust assets under management amounted to $142 million at March 31, 1992, or 20% above the total one year earlier.

Net gains on the sales of investment securities were $1,462,000 in the first quarter of 1992 compared to net gains of $1,998,000 in the same period of 1991. In 1991, net gains of $1,709,000 were recorded on the sale of equity securities held as part of Pinnacle's equity investment program in other financial institutions. These sales represented the entire disposition of three equity issues held by Pinnacle and almost all of the sales were made in response to the unsettled market conditions which were evident in January, 1991. The sales also were made as a result of management's desire to dispose of Pinnacle's investment in these particular issues and the cost of acquisition debt relating to the Berwyn and Henry County acquisitions which could be reduced with the proceeds of the sales.

The net securities gains of $1,462,000 recorded in the first three months of 1992 and $316,000 of net gains in the first three months of 1991 were recorded as the result of sales of term taxable investment securities which had been held in excess of one year. These sales were undertaken to provide funds for reinvestment in taxable securities with maturities of one to two years longer than the securities sold as dictated by portfolio strategy relating to average term.

The primary purpose of the term taxable investment securities strategy is to take advantage of the slope in the yield curve. Term taxable investment securities consist of U.S. Treasury and U.S. Government agencies. During the first quarter of 1992, the average maturity of these securities was approximately three years. Additionally, the strategy is set in place to protect Pinnacle in a period of declining interest rates when its net interest margin will be narrowed as is currently evident. As a result, management views the net gains recorded on this program as closely related to its net interest income as opposed to one-time items. Conversely, the opposite should occur in a period of increasing interest rates. Pinnacle's net interest margin would generally increase with a portion of this increase offset by net securities losses from the term portfolio strategy. At March 31, 1992, the term taxable investment securities portfolio had total net unrealized gains of approximately $205,000.

Non-interest expense increased 5% for the first three months of 1992 compared to the same period last year. Employee compensation and benefits decreased 6% with the decrease resulting from the fact that an accrual for a stock appreciation right in the amount of $184,000 was made in the first quarter of 1991. Without this accrual, employee costs would have increased 2%. Occupancy expense increased 10% reflecting the Berwyn and Henry County acquisitions. Other general expenses were up 24%. The acquisitions accounted for two-thirds of the increase and an 18% increase in FDIC insurance assessment fees was a significant contributor to the remaining increase.

Income Taxes

Pinnacle's Federal income tax return is prepared on a consolidated basis including the accounts of its subsidiary banks.

The provision for income taxes was $523,000 for the first three months of 1992 compared with $934,000 for the first three months of 1991. Pinnacle's federal income tax liability for each of the comparable periods was an alternative minimum tax liability. The higher provision for taxes in the first quarter of 1991 was the result of higher pre-tax income and a larger provision for state income taxes. The state tax provision for 1992 was lower than the comparable quarter due to the increase in and the mix of term taxable investment securities which include U.S. Treasury securities which are exempt from state taxes.

In February, 1992, the FASB released SFAS No. 109, "Accounting for Income Taxes", which modifies the provisions of SFAS No. 96. The Company will be required to adopt the provisions of this statement no later than 1993. Due to its recent release, the potential impact of this statement on the Company's financial position and results of operations has not yet been determined.

Balance Sheet

The balance sheet of Pinnacle at March 31, 1992 reflects the purchase of certain assets and the assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association ("Olympic") from the Resolution Trust Corporation on March 27, 1992. The total liabilities assumed, consisting almost entirely of deposits, amounted to $131 million. Total assets purchased consisted of $92 million in cash and $44 million of U.S. Treasury securities. The majority of the securities purchased were sold and along with the cash acquired, these funds were invested in term taxable investment securities with maturities of two to four years. A premium of $3,409,000 was paid to the Resolution Trust Corporation. The premium is to be amortized over ten years and is included in goodwill and other intangibles. Management anticipates a level of deposit run-off after the completion of the transaction as is characteristic in these types of deposit transactions. A reduction in acquired deposits of 20% would not be unexpected. Funds to pay these withdrawals would come from Federal funds sold and sales of term taxable investment securities as is necessary.

Total consolidated assets were $728,168,000 at March 31, 1992, or 25% higher than year end 1991 with all of the increase due to the acquisition. Pinnacle's portfolio funds, defined as Federal funds sold, interest bearing deposits at financial institutions and investment securities, increased $144 million with the increase resulting from the Olympic acquisition. The increase in portfolio funds consisted of an increase in U.S. Treasury and U.S. Government agency securities with maturities of two to four years.

Total loans amounted to $186,910,000 at March 31, 1992, or 5% lower than year end 1991. Most of the decline took place in the commercial loan portfolio due to generally weaker loan demand evident over the past fifteen months. At March 31, 1992, 44% of loans were commercial, real estate loans amounted to 34%, and installment loans were 22% of total loans. Pinnacle is directing its focus to consumer

real estate and installment loans and expects the relative percentage of these loans to total loans to increase over the remainder of 1992.

Goodwill and other intangibles amounted to $12,238,000, or 21% of stockholders' equity at March 31, 1992. The increase in goodwill was the result of the acquisition with the premium of $3,409,000 paid to the Resolution Trust Corporation for the Olympic acquisition included in goodwill and other intangibles at quarter-end.

Total deposits were $649,671,000 at March 31, 1992, or 28% higher than year end 1991 with the increase resulting from the Olympic acquisition. The deposits assumed in the transaction did not materially change the mix of Pinnacle's deposit structure. At March 31, 1992, the percentage of total deposits for each category were: non-interest bearing deposits, 12%; interest-bearing demand deposits, 14%; savings accounts, 37%; and other time deposits, 37%. Management anticipates a level of deposit run-off from the acquisition in the range of 20% of the deposits acquired. Pinnacle's note payable was $14,350,000 at March 31, 1992 representing an increase of $6,950,000 from year-end 1991. The increase was the result of debt incurred to complete the Olympic acquisition including a capital infusion of $5,750,000 into a Pinnacle subsidiary in order to meet capital requirements as necessitated by an increase in assets due to the Olympic acquisition which was effected by the subsidiary bank.

Capital Resources

Total stockholders' equity of Pinnacle was $57,926,000 at March 31, 1992 and $56,919,000 at December 31, 1991. The ratio of equity to assets was 7.96% and 9.81% at each period end, respectively.

The Federal Reserve Board ("Board") has established the Leverage Capital Ratio with a minimum level of Tier One capital to total assets of 3.00%. Tier One capital consists of common stock, surplus, retained earnings and minority interest in subsidiaries, and is exclusive of Pinnacle's allowance for loan losses, goodwill and other intangibles. As of March 31, 1992 and December 31, 1991, Pinnacle's Leverage Capital Ratio amounted to 6.40% and 8.37%, respectively. In addition, the Board has issued Risk-Based Capital Guidelines with a minimum standard of total regulatory capital to weighted risk assets of 7.25% presently and 8.00% to be attained by year end 1992. The structure of Pinnacle's balance sheet results in a Risk-Based Capital Ratio significantly in excess of the guidelines. At March 31, 1992, and December 31, 1991, Pinnacle's ratio was 19.48% and 19.74%, respectively, assuming the deduction of all goodwill and other intangibles in compliance with the year-end 1992 guidelines. The reduction in the leverage and risked-based capital ratios was the result of the Olympic acquisition. The following table provides an analysis of the minimum capital requirements and the excess over the minimum which Pinnacle holds as capital.

	Minimum Required Ratio*	Minimum Required Amount	Actual Amount	Excess over Minimum
Leverage Capital.....	3.00%	$21,478	$45,828	$24,350
Risk-based Capital:				
Tier One.....	4.00	9,948	45,828	35,880
Total (Tier Two).....	8.00	19,896	48,455	28,559

* December 31, 1992 requirements.

In addition, each of Pinnacle's subsidiary banks must meet similar minimum capital requirements as prescribed by Federal and state banking regulatory authorities. At March 31, 1992, Pinnacle and each of its subsidiary banks is in compliance with the current and prospective capital guidelines.

Book value per share was $12.64 at March 31, 1992 compared to $12.33 at December 31, 1991. During the first three months of 1992, Pinnacle repurchased 33,540 shares of its common stock at market prices in privately negotiated transactions. Dividends amounting to $.22 per share were paid in the first three months of 1992.

Liquidity

As characteristic of the banking industry, Pinnacle's indicators of liquidity are principally its deposit base, loan and investment portfolios. On a short term basis, adjustments are made in these categories based on deposit fluctuations and loan demand. Longer term, liquidity is determined by growth objectives, rate pricing policies and the ability to borrow debt or raise equity. In general, Pinnacle is able to meet deposit withdrawals and to fund loan demand through earnings and the maturity or sale of investment securities. Pinnacle would also be able to respond to short term cash flow needs through short term borrowings. On a longer term basis, Pinnacle has the ability to incur debt or to raise equity through the sale of preferred or common stock.

Pinnacle's cash flows are comprised of three general types. Cash flows from operating activities are primarily Pinnacle's net income. Cash flows from investing activities consist of loans made to and collected from customers; and purchases, sales and maturities of investment securities. Cash flows from financing activities are determined by Pinnacle's deposit base and from Pinnacle's ability to borrow and repay debt and issue or repurchase stock. For the three months ended March 31, 1992, Pinnacle's most significant cash flow item was the $83 million in net cash received in the Olympic acquisition. In addition, cash flows were generated from earnings, a $7 million decrease in interest-bearing deposits at financial institutions, a $9 million decrease in loans, a $10 million increase in deposits, and a $7 million increase in Pinnacle's note payable. Cash flow uses and needs included $95 million in net purchases of investment securities and $1.7 million to pay dividends and repurchase

common stock. Pinnacle's net cash position increased $17 million with almost all of the increase in Federal funds sold.

Pinnacle's subsidiary banks have a relatively stable base of deposits and any increased loan demand can be sufficiently funded without a material change in its balance sheet. Management believes that there will be a deposit run-off of approximately 20% of the deposits assumed in the Olympic transaction. Funds to pay these deposits will come from Federal funds sold and a sale of investment securities if necessary. Pinnacle's corporate strategy includes profitable acquisitions. These acquisitions would be primarily funded with debt. Reductions of debt would be made from Pinnacle's earnings.

Regulatory requirements exist which influence Pinnacle's liquidity and cash flow needs. These requirements include the maintenance of satisfactory capital ratios on a consolidated and subsidiary bank basis, restrictions on the amount of dividends which a subsidiary bank may pay and reserve requirements with the Federal Reserve Bank. Based on these restrictions, at April 1, 1992 and January 1, 1992, bank subsidiaries could have declared approximately $2,843,000 and $1,747,000, respectively, in dividends without requesting approval of the applicable Federal or State regulatory agency. In addition, Pinnacle has made loan commitments which could result in increased cash flow requirements for loans. Management is of the opinion that these regulatory requirements and loan commitments will not have a significant impact on the liquidity of Pinnacle. Management had no significant commitments for capital expenditures at March 31, 1992 or December 31, 1991 with the exception of the proposed purchase of Batavia Financial Corporation for approximately $5.8 million in cash which is subject to the execution of a definitive agreement and obtaining the necessary regulatory and shareholder approvals.

ANALYSIS OF NET INTEREST INCOME
PINNACLE BANC GROUP, INC. and Subsidiaries

(Dollars in thousands)

	Three months ended March 31, 1992		
	Average Balance	Interest	Rate
Assets:			
Interest earning assets:			
Interest bearing deposits and federal funds sold	$ 40,858	$ 505	4.94 %
Taxable investment securities	262,124	4,278	6.53
Non taxable investment securities	41,976	1,304	12.43
Loans	191,271	4,420	9.24
Total interest earning assets	536,229	10,507	7.84
Non interest earning assets:			
Cash and due from banks	19,958		
Allowance for loan losses	(2,567)		
Other assets	28,660		
Total assets	$582,280		
Liabilities and stockholders' equity:			
Interest bearing liabilities:			
Interest bearing demand deposits	$ 65,208	$ 485	2.98 %
Savings deposits	156,511	1,662	4.25
Money market deposits	49,634	453	3.65
Other time deposits	161,766	2,151	5.32
Short term borrowings	1,218	15	4.93
Note payable	7,345	115	6.26
Total interest bearing liabilities	441,682	4,881	4.42
Non interest bearing liabilities:			
Demand deposits	77,727		
Other liabilities	5,655		
Minority interest	134		
Stockholders' equity	57,082		
Total liabilities and stockholders' equity	$582,280		
Net interest income and margin		$ 5,626	4.20 %

Interest income is adjusted to taxable equivalents for the tax-exempt assets based upon a federal income tax rate of 34% for 1992. The fully taxable equivalent adjustment to interest income for the three months ended March 31, 1992 was, in thousands, $470. The average balance of non accrual loans is included in the total loan category.

ANALYSIS OF NET INTEREST INCOME
PINNACLE BANC GROUP, INC. and Subsidiaries

(Dollars in thousands)

	Three months ended March 31, 1991		
	Average Balance	Interest	Rate
Assets:			
Interest earning assets:			
Interest bearing deposits and federal funds sold	$ 66,942	$ 1,192	7.12 %
Taxable investment securities	176,797	3,750	8.48
Non taxable investment securities	46,209	1,474	12.76
Loans	197,815	5,182	10.48
Total interest earning assets	$487,763	$11,598	9.51 %
Non interest earning assets:			
Cash and due from banks	19,561		
Allowance for loan losses	(2,690)		
Other assets	25,171		
Total assets	$529,805		
Liabilities and stockholders' equity:			
Interest bearing liabilities:			
Interest bearing demand deposits	$ 62,140	$ 656	4.22 %
Savings deposits	124,883	1,621	5.19
Money market deposits	46,541	596	5.12
Other time deposits	163,550	2,750	6.73
Short term borrowings	0	2	N/M
Note payable	7,017	158	9.01
Total interest bearing liabilities	$404,131	$ 5,783	5.72 %
Non interest bearing liabilities:			
Demand deposits	65,582		
Other liabilities	6,197		
Minority interest	171		
Stockholders' equity	53,724		
Total liabilities and stockholders' equity	$529,805		
Net interest income and margin		$ 5,815	4.77 %

Interest income is adjusted to taxable equivalents for the tax-exempt assets based upon a federal income tax rate of 34% for 1991. The fully taxable equivalent adjustment to interest income for the three months ended March 31, 1991 was, in thousands $536. The average balance of non accrual loans is included in the total loan category.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At the Annual Meeting of Pinnacle held on April 14, 1992, all of the proposed Directors listed in the Proxy Statement were elected. Mssrs. Richard W. Burke, Mark P. Burns, William J. Finn, Jr., Samuel M. Gilman, John J. Gleason, John J. Gleason, Jr., Albert Giusfredi, James L. Greene, Donald G. King, James A. Maddock, James J. McDonough, William C. Nickels, James R. Phillip, Jr. and Kenneth C. Whitener, Jr. received votes totaling 3,703,075 shares, or 80.8% of the outstanding shares, FOR and none AGAINST. Each of the directors was elected for a term of one year. Each director served as a director in the year prior to the Annual Meeting. No other items were voted on at the Annual Meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following exhibit is filed as part of this Form 10-Q.

Exhibit Number	Description No. Under Item 601 of Regulation S-K	Exhibit Description
1	(20)	Report furnished to securities holders. First Quarter Report.

(b) A report on Form 8-K dated April 10, 1992 was filed by Pinnacle to report the purchase of certain assets and the assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation on March 27, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PINNACLE BANC GROUP, INC.

Dated: May 14, 1992

By: _____

John J. Gleason, Jr.
Director, Vice Chairman
and Treasurer

By: _____

William P. Gleason
Principal Financial Officer
Principal Accounting Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

EXHIBITS
TO
FORM 10-Q

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

PINNACLE BANC GROUP, INC.

(Exact name of registrant as specified in its charter)

EXHIBIT 1. REPORT FURNISHED TO SECURITIES HOLDERS.

Corporate Information

Corporate Headquarters

2211 York Road, Suite 502
Oak Brook, Illinois 60521
(708) 574-3550

Subsidiary Banks

First National Bank of Cicero
First National Bank in Harvey
Bank of Silvis
Berwyn National Bank
Bank of La Grange Park
The Henry County Bank

Common Stock

Common stock is traded on NASDAQ with the ticker symbol "PINN" and listed with the abbreviation "PinBGp"

Principal Market Makers

The Chicago Corporation
Stifel, Nicolaus & Company

PINNACLE
BANC GROUP, INC

PINNACLE
BANC GROUP, INC

FIRST QUARTER REPORT

March 31, 1992

Financial Highlights

(Unaudited; in thousands except per share data)	For the three months ended March 31		
	1992	1991	Change
For the Period:			
Net income	$ 2,681	$ 2,891	− 7%
Return on average equity	18.8%	21.5%	
Return on average assets	1.84	2.18	
Per Share:			
Net income—fully diluted	$ 0.58	$ 0.61	− 5
Dividends	0.22	0.20	+10
Book value	12.64	11.41	+11
At March 31:			
Total Assets	$728,168	$590,643	+23
Loans	186,910	206,672	−10
Deposits	649,671	516,869	+26
Stockholders' equity	57,926	52,927	+ 9

Letter to Shareholders

Dear Shareholder:

In the first quarter, Pinnacle successfully completed another step in its efforts to expand through acquisitions. On March 2nd, a Pinnacle subsidiary bank, First National Bank of Cicero, purchased the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation. At the date of purchase, the Berwyn branch had total deposits of $129 million. Based on historical data of similar type transactions, Pinnacle anticipates a level of deposit loss from the acquired branch. However, the net result will be the addition of core deposits consistent with the market areas currently served by Pinnacle banks. With the acquisition, total consolidated assets of Pinnacle were $728 million at March 31, 1992.

Net income for the first quarter of 1992 was $2,681,000, or $.58 per share on a fully diluted basis, a decrease of 5% on a per share basis compared with net income of $2,891,000, or $.61 per share earned in the first quarter of 1991. Pinnacle's return on average equity was 18.8% and the return on average assets was 1.84% for the first quarter of 1992.

The decrease in earnings was primarily the result of the fact that net gains on the sale of equity securities were recorded in the first quarter of 1991 while none were recorded in 1992. Net interest income declined 2%; however, changes were made in the rates paid on core deposits in the first quarter of 1992 which resulted in an improvement in Pinnacle's net interest margin from the fourth quarter of 1991. Other operating expenses were up 5% on a comparative basis with the first quarter of 1991.

Pinnacle's non-performing loans totalled $3,848,000, or 2.06% of total loans at March 31, 1992 compared to $7,636,000, or 3.90% of total loans at December 31, 1991. While the ratio indicates considerable improvement, management remains focused on the quality of the portfolio and continues to monitor problem credits closely.

At the Board of Directors' Meeting on April 14, 1992, the Board declared a dividend of $.22 per share payable May 7 to shareholders of record as of April 27.

Sincerely,

John J. Gleason

John J. Gleason
Chairman

Consolidated BALANCE SHEETS

PINNACLE BANC GROUP, INC. and Subsidiaries

(Unaudited; in thousands)	March 31 1992	December 31 1991	March 31 1991
Assets:			
Cash and due from banks	$ 28,698	$ 22,138	$ 29,067
Federal funds sold	21,889	10,950	44,275
Interest bearing deposits	19,542	26,465	46,259
Investment securities	439,253	299,329	237,744
Loans	186,910	195,940	206,672
Less: Allowance for loan losses	(2,628)	(2,516)	(2,967)
Net loans	184,282	193,424	203,705
Premises and equipment	9,695	9,865	8,333
Other assets	24,809	18,330	21,260
Total	$728,168	$580,501	$590,643
Liabilities:			
Demand deposits:			
Noninterest bearing	$ 77,094	$ 78,402	$ 72,269
Interest bearing	90,011	63,249	72,003
Savings deposits	242,086	204,144	193,310
Other time deposits	240,480	163,679	179,287
Total deposits	649,671	509,474	516,869
Short term borrowings	630	622	413
Notes payable	14,350	7,400	13,663
Other liabilities	5,452	5,944	6,608
Minority interest in subsidiaries	139	142	163
Total liabilities	670,242	523,582	537,716
Stockholders' equity:			
Common stock, $4.69 par value 20,000,000 shares authorized; shares issued and outstanding: 3/31/92—4,581,527 12/31/91—4,615,067 3/31/91—4,640,287	21,476	21,633	21,751
Surplus	17,087	17,087	17,023
Retained earnings	19,363	18,199	14,153
Total stockholders' equity	57,926	56,919	52,927
Total	$728,168	$580,501	$590,643

Consolidated STATEMENTS OF INCOME

PINNACLE BANC GROUP, INC. and Subsidiaries

(Unaudited; in thousands except per share data)	For the three months ended March 31	
	1992	1991
Interest income:		
Loans	$ 4,393	$ 5,147
Investment securities	5,139	4,723
Interest bearing deposits and federal funds sold	505	1,192
Interest income	10,037	11,062
Interest expense:		
Deposits	4,751	5,623
Short term borrowings	15	2
Notes payable	115	158
Interest expense	4,881	5,783
Net interest income	5,156	5,279
Provision for loan losses	123	75
Net interest income after provision for loan losses	5,033	5,204
Other income:		
Banking services and other	999	758
Trust services	384	328
Net securities gains	1,462	1,999
Other income	2,845	3,085
Other expense:		
Employee compensation and benefits	2,199	2,331
Occupancy	457	414
Other expenses	2,007	1,693
Other expense	4,663	4,438
Income before income taxes and minority interest	3,215	3,851
Provision for income taxes	523	934
Minority interest in subsidiaries	11	26
Net income	$ 2,681	$ 2,891
Weighted average number of common and common equivalent shares outstanding:		
Primary	4,610	4,767
Fully diluted	4,610	4,768
Earnings per share:		
Primary	$ 0.58	$ 0.61
Fully diluted	0.58	0.61